

806 KAR 39:050. Self-insurance.

RELATES TO: KRS 304.39-020(12), 304.39-080, 304.39-290, 304.39-170

STATUTORY AUTHORITY: KRS 304.2-110, 304.39-300

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.39-080 allows the Executive Director of Insurance to approve applications for self-insurance and set standards which must be met by such applicants thereof. The purpose of this administrative regulation is to set forth in detail the criteria that must be met in order to apply for self-insurance, and the grounds on which the executive director may revoke self-insurance status.

Section 1. Any person desiring to be self-insured for the purposes of KRS Chapter 304, Subtitle 39, shall submit an application to the Executive Director of Insurance on forms provided by the Office of Insurance.

Section 2. The applicant shall agree in writing to pay all tort liability and basic reparation benefits incurred and required by KRS Chapter 304, Subtitle 39, and shall further agree to become a member of the Kentucky Arbitration Association, to meet all obligations incurred thereby; and further, shall agree to become a member of the Assigned Claims Bureau, and to meet all obligations incurred thereby.

Section 3. The applicant shall file with the application, and annually thereafter, a balance sheet and income statement which shall reflect the actual financial condition of the applicant as of the last complete calendar or fiscal year preceding the date of the application; and, in the case of an individual, such balance sheet and income statement shall be certified, under oath, by the individual that it truly reflects his financial condition and income as of that time. In the case of a corporation or partnership, it shall be certified by a Certified Public Accountant or responsible accounting officer of the applicant. Such information shall be confidential, and the Executive Director of Insurance shall not release such information unless he has the prior written consent of the applicant.

Section 4. The application shall list the vehicles as of the date of application and annually thereafter for which the self-insurance shall provide security and advise the executive director of any changes in the number thereof unless they have furnished maximum security.

Section 5. The applicant shall furnish security to the executive director to meet his continuing obligations as agreed to in Section 2 of this administrative regulation. The security so furnished may be in the form of a bond, with surety thereon, by an insurer authorized by the Office of Insurance to engage in surety insurance contracts, or with such other surety as the executive director may approve.

Section 6. Security may also be furnished by depositing with the Custodian of Insurance Securities cash or assets of the kind which may be deposited by a domestic insurer pursuant to KRS 304.8-030. Where the security tendered to the executive director is of a kind which tends to vary in market value (U.S. obligations, bonds, stocks or real estate), the executive director may, in his discretion, require the amount so tendered to have a current market value greater than the minimum required security, but not in excess of 150 percent of minimum required security.

Section 7. The minimum requirement security that must be furnished to the executive director is for one (1) secured vehicle, \$50,000; and for each additional vehicle: \$10,000, up to a maximum of \$200,000.

Section 8. The executive director shall hold the securities furnished under Sections 5, 6, and 7 of this administrative regulation for the benefit of those persons to whom the self-insured is obligated under the provisions of KRS Chapter 304, subtitle 39.

Section 9. Each self-insured shall furnish to the executive director, no later than January 10, April 10, July 10, and October 10 of each year, a report on forms, prescribed by the executive director, of all claims incurred during the preceding calendar year.

Section 10. If, based upon the number of claims incurred by the self-insured, the executive director determines the security furnished is inadequate, he may require additional security and more frequent report of claims incurred.

Section 11. If a self-insured fails to meet its obligations under KRS Chapter 304, Subtitle 39, or fails to make his required report of claims, or to post additional security required by the executive director, the executive director shall disapprove the self-insured for self-insurance.

Section 12. A self-insured may, at any time, by written request to the executive director, withdraw as a self-insured.

Section 13. When a self-insured voluntarily withdraws as a self-insured, or when the executive director disapproves the self-insured, the executive director shall retain the security furnished to him until such time as he is satisfied that the self-insured has met all obligations incurred as a self-insured under KRS Chapter 304, Subtitle 39. If any said obligation remains unsatisfied for ninety (90) days, the executive director may institute proceedings to assure that all person to whom the self-insured is obligated under KRS Chapter 304, Subtitle 39 shall receive their equitable share of the securities available. (1 Ky.R. 880; eff. 5-14-75; TAm eff. 8-9-2007; Crt eff. 2-26-2020.)